

Financial Statements of

**EDMONTON MENNONITE
CENTRE FOR NEWCOMERS**

Year ended March 31, 2019

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Table of Contents

Year ended March 31, 2019

	Page
Management's Responsibility for Financial Reporting	
Independent Auditors' Report	
Financial Statements	
Statement of Financial Position	1
Statement of Operations	2
Statement of Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 12
Schedule 1 - Administrative Expenses	13
Schedule 2 - Program Revenues and Expenses	14 - 15

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The integrity, relevance and comparability of the data in the accompanying financial statements are the responsibility of management.

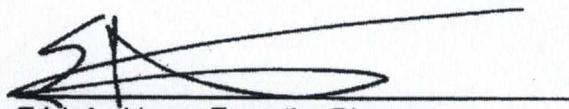
The financial statements are prepared by management in accordance with Canadian accounting standards for not-for-profit organizations established by the Chartered Professional Accountants of Canada. They necessarily include some amounts that are based on the best estimates and judgements of management.

To assist in its responsibility, management maintains accounting, budget and other controls to provide reasonable assurance that transactions are appropriately authorized, that assets are properly accounted for and safeguarded, and that financial records are reliable for preparation of financial statements.

KPMG LLP, Chartered Professional Accountants, have been appointed by the Centre's Members to express an opinion on the Centre's financial statements.

Edmonton, Alberta

June 19, 2019



Erick Ambtman, Executive Director



KPMG LLP
2200, 10175-101 Street
Edmonton AB T5J 0H3
Canada
Tel 780-429-7300
Fax 780-429-7379

INDEPENDENT AUDITORS' REPORT

To the Members of Edmonton Mennonite Centre For Newcomers

Opinion

We have audited the financial statements of Edmonton Mennonite Centre For Newcomers (the Entity), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive style and is underlined with a single horizontal line.

Chartered Professional Accountants

Edmonton, Canada

June 19, 2019

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Statement of Financial Position

March 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 1,428,593	\$ 2,124,382
Receivables (note 3)	1,311,603	844,824
Investments (note 4)	186,145	176,353
Prepaid expenses	481,031	216,113
	3,407,372	3,361,672
Restricted investments (notes 4 and 9)	20,913	20,913
Capital assets (note 5)	77,731	160,180
	\$ 3,506,016	\$ 3,542,765

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 976,098	\$ 863,028
Deferred contributions - operations (note 7)	1,200,262	1,302,942
	2,176,360	2,165,970
Deferred contributions - capital assets (note 8)	-	126,902
	2,176,360	2,292,872
Net assets:		
Invested in capital assets	77,731	33,280
Restricted for endowment purposes (note 9)	20,913	20,913
Unrestricted	831,012	795,700
Internally restricted (note 9)	400,000	400,000
	1,329,656	1,249,893
Contingencies (note 11)		
	\$ 3,506,016	\$ 3,542,765

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Statement of Operations

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Grants (note 10)	\$ 17,212,979	\$ 16,977,197
Fundraising events	93,509	118,980
Donations	52,246	75,108
Course fees	42,860	47,847
Rent	46,838	39,054
Investment income	<u>29,897</u>	<u>21,163</u>
	17,478,329	17,279,349
Expenses:		
Salaries, wages and benefits	11,678,023	11,360,846
Contract services	2,709,304	2,687,007
Rent, utilities and maintenance	1,772,011	1,729,043
Administrative (Schedule 1)	555,554	520,949
Resources	454,122	450,011
Amortization	131,999	152,255
Supplies, repairs and maintenance	89,134	62,020
Bad debts	<u>8,419</u>	<u>-</u>
	17,398,566	16,962,131
Excess of revenue over expenses	\$ 79,763	\$ 317,218

See accompanying notes to financial statements.

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Statement of Changes in Net Assets

Year ended March 31, 2019, with comparative information for 2018

	Invested in tangible capital assets	Restricted for endowment purposes (note 9)	Unrestricted	Internally restricted (Note 9)	Total 2019	Total 2018
Balance, beginning of year	\$ 33,280	\$ 20,913	\$ 795,700	\$ 400,000	\$ 1,249,893	\$ 932,675
Purchase of capital assets	54,301	-	(54,301)	-	-	-
Disposal of capital assets	(4,753)	-	4,753	-	-	-
Amortization	(131,999)	-	131,999	-	-	-
Amortization of deferred contributions - capital assets (note 8)	126,902	-	(126,902)	-	-	-
Excess of revenue over expenses	-	-	79,763	-	79,763	317,218
Balance, end of year	\$ 77,731	\$ 20,913	\$ 831,012	\$ 400,000	\$ 1,329,656	\$ 1,249,893

See accompanying notes to the financial statements.

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 79,763	\$ 317,218
Items not involving cash:		
Amortization	131,999	152,255
Unrealized gain on investments	(13,374)	(9,660)
Amortization of deferred contributions - capital assets	<u>(126,902)</u>	<u>(128,214)</u>
	71,486	331,599
Changes in non-cash operating working capital:		
(Increase) decrease in receivables	(466,779)	138,787
(Increase) decrease in prepaid expenses	(264,918)	(85,665)
Increase (decrease) in accounts payable and accrued liabilities	113,070	211,378
(Decrease) increase in deferred contributions - operations	<u>(102,680)</u>	<u>96,841</u>
	(649,821)	692,940
Financing activities:		
Deferred contributions received - capital assets	-	19,037
Investing activities:		
Purchase of capital assets	(54,301)	(72,184)
Purchase of investments	(176,235)	(16,148)
Proceeds on the sale of investments	179,815	15,452
Disposal of capital assets	<u>4,753</u>	-
	(45,968)	(72,880)
Increase (decrease) in cash flow	(695,789)	639,097
Cash and cash equivalents, beginning of year	2,124,382	1,485,285
Cash and cash equivalents, end of year (note 2)	<u>\$ 1,428,593</u>	<u>\$ 2,124,382</u>

See accompanying notes to financial statements.

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Notes to Financial Statements

Year ended March 31, 2019, with comparative information for 2018

Nature of operations:

The Edmonton Mennonite Centre For Newcomers (the "Centre") is incorporated under the Societies Act of the Province of Alberta as a non-profit organization. Its purpose is to provide settlement assistance to new Canadians. The Centre is also a registered charity and, therefore, is exempt from income tax.

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The Centre's significant accounting policies are as follows:

(a) Revenue recognition:

The Centre follows the deferral method of accounting for contributions.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Unrestricted investment income is recognized as revenue when earned. Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Investment income earned on endowment funds is recorded as a direct increase in net assets.

Course fee revenue is recognized on a straight-line basis over the length of the course.

(b) Cash and cash equivalents:

Cash and cash equivalents include items that are readily convertible to known amounts of cash, subject to an insignificant risk of change in value, have a maturity of one year or less at acquisition, and are held for the purpose of meeting short-term cash commitments rather than for investing.

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Notes to Financial Statements (continued)

Year ended March 31, 2019

1. Significant accounting policies (continued):

(c) Capital assets:

Purchased capital assets are stated at cost, less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution.

Amortization is provided for on a straight-line basis over the following useful lives:

Asset	Rate
Office furniture and computer equipment	3 - 5 years
Furniture and fixtures	5 years
Leasehold improvements	5 - 10 years
Vehicles	5 years

(d) Contributed services:

Volunteers contribute a significant amount of time each year to assist the Centre in carrying out its service delivery activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Centre has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method (or effective interest rate method).

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Notes to Financial Statements (continued)

Year ended March 31, 2019

1. Significant accounting policies (continued):

(e) Financial instruments (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Centre determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Centre expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(f) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

2. Cash and cash equivalents:

	2019	2018
Cash	\$ 1,028,593	\$ 1,756,811
Guaranteed Investment Certificates	400,000	367,571
	<hr/> \$ 1,428,593	<hr/> \$ 2,124,382

- a) Guaranteed Investment Certificate bears interest at 1.90%, with a maturity date of August 2019. The term deposit is held as security for two irrevocable letters of credit (note 11).
- b) The Centre has established a Revolving Demand Facility with a maximum balance of \$500,000 bearing interest at prime plus 0.73%. The authorized overdraft had not been drawn upon at March 31, 2019.

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Notes to Financial Statements (continued)

Year ended March 31, 2019

3. Receivables:

	2019	2018
Program funding grants	\$ 1,181,092	\$ 775,427
Goods and services tax rebate	123,216	58,507
Other	7,295	10,890
	<hr/> \$ 1,311,603	<hr/> \$ 844,824

4. Investments:

	2019	2018
Mutual funds	\$ 189,609	\$ 180,404
Servus Credit Union Ltd. common shares	17,449	16,862
	<hr/> \$ 207,058	<hr/> \$ 197,266

As at March 31, 2019, the cost of the investments was \$176,235 (2018 - \$153,042).

Unrealized gains, in the amount of \$13,374 (2018 - \$9,660), are included in investment income.

5. Capital assets:

	Cost	Accumulated amortization	<u>Net Book Value</u>	
			2019	2018
Leasehold improvements	\$ 423,090	\$ 391,616	\$ 31,474	\$ 54,899
Furniture and fixtures	347,885	313,187	34,698	58,495
Office and computer equipment	954,404	942,845	11,559	46,786
Vehicles	22,891	22,891	-	-
	<hr/> \$ 1,748,270	<hr/> \$ 1,670,539	<hr/> \$ 77,731	<hr/> \$ 160,180

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Notes to Financial Statements (continued)

Year ended March 31, 2019

6. Accounts payable and accrued liabilities:

	2019	2018
Trade payables	\$ 621,035	\$ 415,351
Accrued vacation liability	325,915	391,515
Other accrued liabilities	29,148	56,162
	<hr/>	<hr/>
	\$ 976,098	\$ 863,028

7. Deferred contributions - operations:

Deferred contribution - operations represent unspent externally restricted operating program funding that is related to a subsequent year. Changes in the deferred contributions balances are as follows:

	2019	2018
Balance, beginning of year	\$ 1,302,942	\$ 1,206,101
Add: Contributions received	17,129,151	17,139,871
Less: Amounts recognized as revenue	(17,231,831)	(17,043,030)
	<hr/>	<hr/>
Balance, end of year	\$ 1,200,262	\$ 1,302,942

The balance is comprised of the following:

	2019	2018
Provincial grants	\$ 852,332	\$ 794,922
Local government grants	41,378	236,887
Other grants and donations	288,285	235,292
RISE awards	15,237	21,500
Federal grants	3,030	8,931
Donations for Syrian refugees	-	5,410
	<hr/>	<hr/>
	\$ 1,200,262	\$ 1,302,942

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Notes to Financial Statements (continued)

Year ended March 31, 2019

8. Deferred contribution - capital assets:

Deferred contributions - capital assets represent contributed capital assets and restricted contributions with which some of the Centre's capital assets was purchased. The changes in the deferred contributions balance for the year are as follows:

	2019	2018
Balance, beginning of year	\$ 126,902	\$ 236,079
Add: Contributions received	-	19,037
Less: Amounts recognized as revenue	(126,902)	(128,214)
 Balance, end of year	 \$ -	 \$ 126,902

9. Restrictions on net assets:

a) Endowment

Net assets restricted for endowment purposes represent the Anne Falk Memorial Endowment Fund. These net assets are subject to externally imposed restrictions stipulating that the resources be maintained permanently. Investment income on this amount is externally restricted for bursary purposes. Investments in the amount of \$20,913 (2018 - \$20,913) have been restricted as they are not available for current purposes.

b) Internally restricted

The Board of Directors has internally restricted \$400,000 (2018 - \$400,000) of net assets to be used for future initiatives. These internally restricted amounts are not available for other purposes without the approval of the Board of Directors.

10. Grants:

	2019	2018
Federal government	\$ 11,801,352	\$ 11,618,246
Provincial government	3,966,433	4,147,697
Other organizations	1,084,098	912,141
Local government	361,096	299,113
 \$ 17,212,979	 \$ 16,977,197	

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Notes to Financial Statements (continued)

Year ended March 31, 2019

11. Contingencies:

The Centre has established two irrevocable letters of guarantee with its financial institution for up to \$400,000 (2018 - \$360,996). One, in the amount of \$325,000, relates to programs funded by Alberta Human Services. The letter of credit is secured by a General Security Agreement and an assigned guaranteed investment certificate in the amount of \$400,000. Alberta Human Services may exercise its right to draw on this letter of credit if the Centre fails to provide the educational program for which it has been approved, to follow the Skills Development program policies, or to repay tuition owed to Alberta Human Services. The second, in the amount of \$36,000, is in favour of one of the Centre's landlords.

12. Contractual obligations:

The Centre has entered into leases for office space and equipment at its various locations. The Centre is required to make annual base rent and lease payments as follows:

2020	\$ 281,824
2021	880,418
2022	854,413
2023	843,454
Thereafter	6,795,724

13. Financial risks:

It is managements' opinion that the Centre is not exposed to significant credit, interest, other price risk, and liquidity risk arising from its financial instruments. The following analysis provides information about the Centre's risk exposure and concentration.

(a) Credit risk:

The Centre is subject to credit risk with respect to its receivables. Management monitors these accounts regularly and is reasonably assured that the Centre is not exposed to significant credit risk. The significant portion of the Centre's receivables are from the Governments of Canada and Alberta which reduces the Centre's exposure to credit risk.

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Notes to Financial Statements (continued)

Year ended March 31, 2019

13. Financial risks (continued):

(b) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk arises when the Centre invests in interest-bearing financial instruments. The Centre is directly exposed to interest risk on its fixed income securities.

(c) Other price risk:

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Centre is exposed to other price risk on its investments in equities and mutual funds.

(d) Liquidity risk:

Liquidity risk is the risk that the Centre cannot meet a demand for cash or fund its obligations as they come due. The Centre is exposed to this risk mainly in respect to its receipt of grant funds and other related sources and expects to continue to meet future requirements through these revenue sources. The Centre mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting.

14. Fundraising:

The following information is provided to comply with the disclosure requirements of the *Charitable Fund-Raising Act of Alberta* and its regulations.

Fundraising expenses for the purposes of soliciting contributions for the year were \$86,295 (2018 - \$78,372).

The gross contributions received due to fundraising activities is \$92,383 (2018 - \$77,678).

The only contributions that are equal to or exceed 10% of the gross contributions were used to operate the Rise Awards.

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Schedule 1 - Administrative Expenses

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Advertising	\$ 79,221	\$ 49,369
Board	8,293	2,998
Dues and memberships	10,799	11,529
Insurance	41,117	22,927
Office and general	7,440	21,147
Printing and photocopy	39,791	38,758
Professional development	63,984	64,925
Professional fees	42,078	25,556
Service charges	60,286	61,509
Staff and volunteers	20,996	50,489
Telephone	57,491	56,224
Travel and conferences	124,058	115,518
	<hr/> \$ 555,554	<hr/> \$ 520,949

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Schedule 2 - Program Revenues and Expenses

Year ended March 31, 2019, with comparative information for 2018

Putting down roots

	2019	2018
Revenue		
City of Edmonton grants	\$ 182,093	\$ 115,689
Expenses		
Salaries, wages and benefits	143,230	83,316
General administration	23,751	14,956
Supplies	7,204	10,372
Rent	9,860	7,045
	184,045	115,689
(Deficiency) of revenue over expenses	\$ (1,952)	\$ -

Safe families

	2019	2018
Revenue		
City of Edmonton grants	\$ 170,665	\$ 79,235
Donations	-	100
	170,665	79,335
Expenses		
Salaries, wages and benefits	130,489	62,439
General administration	22,401	10,367
Supplies	13,343	4,630
Rent	4,432	1,899
	170,665	79,335
Excess of revenue over expenses	\$ -	\$ -

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Schedule 2 - Program Revenues and Expenses (continued)

Year ended March 31, 2019, with comparative information for 2018

Securing hopeful futures/Towards full participation

	2019	2018
Revenue		
Province of Alberta Grants	\$ 183,404	\$ 202,130
Expenses		
Salaries, wages and benefits	139,254	157,048
General administration	24,506	26,340
Rent	14,497	13,332
Service delivery	5,147	5,424
	183,404	202,144
(Deficiency) of revenue over expenses	\$ -	\$ (14)